

MCB has announced its CY21 result where it posted a profit after tax of Rs30.81bn (EPS: Rs26.00) as compared to profit after tax of Rs29.03bn (EPS: Rs24.50) in the same period last year, up by 6.1% YoY.

The company has posted a net interest income of Rs63.99bn against Rs71.33bn in SPLY, recording a decline of 10.3% YoY. We note that this negative growth is attributed to the low-interest rate.

Non-interest income has been increased by 10.7% YoY to Rs20.07bn mainly due to the increase in fee and commission and other income during the period.

Furthermore, the operating cost to income ratio has been increased to 42.1% as compared to 36.5% during SPLY.

Lastly, the bank has booked a reversal of Rs4.8bn against the provision of Rs7.31bn during SPLY.

MCB is currently trading at CY22E PE of 5.73x. Furthermore, the scrip is trading at a CY22E P/B of 0.89x which offers a discount of 13% relative to its historical 3-year average of 1.02x. We have a **BUY** stance on the scrip with a DDM based Dec-22 TP of Rs.180 which provides an upside potential of 13%. Furthermore, it also offers an attractive dividend yield of 13% which makes the total return of 26%.

Rupees' millions	4QCY21	4QCY20	YoY	CY21	CY20	YoY
Interest earned	33,431	29,040	15.1% ▲	123,334	136,076	9.4% ▼
Interest expensed	-17,189	-13,052	31.7% ▲	-59,347	-64,741	8.3% ▼
Net Interest Income	16,242	15,988	1.6% ▲	63,987	71,334	10.3% ▼
Fee and commission income	3,286	2,915	12.7% ▲	12,440	10,936	13.7% ▲
Dividend income	809	481	68.3% ▲	2,251	1,210	86.1% ▲
Foreign exchange income	1,404	605	132.2% ▲	3,734	2,525	47.9% ▲
(Loss) / gain on securities	107	537	80.0% ▼	811	3,332	75.7% ▼
Other income	79	32	149.8% ▲	823	128	542.0% ▲
Non-Interest Income	5,691	4,577	24.3% ▲	20,074	18,136	10.7% ▲
Operating expenses	-9,190	-8,229	11.7% ▲	-35,381	-32,646	8.4% ▲
Workers' Welfare Fund	-274	-198	38.6% ▲	-1,040	-965	7.8% ▲
Other charges	-73	-38	92.0% ▲	-474	-297	59.3% ▲
Profit Before Provisions	12,395	12,100	2.4% ▲	47,167	55,562	15.1% ▼
Provisions	1,324	-2,204	160.0% ▼	4,823	-7,313	165.9% ▼
Profit Before Taxation	13,719	9,895	38.6% ▲	51,989	48,249	7.8% ▲
Taxation	-5,464	-3,793	44.1% ▼	-21,178	-19,212	10.2% ▲
Profit After Taxation	8,255	6,102	35.3% ▲	30,811	29,037	6.1% ▲
Earnings Per Share	6.97	5.15	35.3% ▲	26.00	24.50	6.1% ▲
Dividend	5.00	15.00	66.7% ▼	19.00	20.00	5.0% ▼
Bonus	0%	0%		0%	0%	

Closing Period: 17 Mar 2022 – 29 Mar 2022

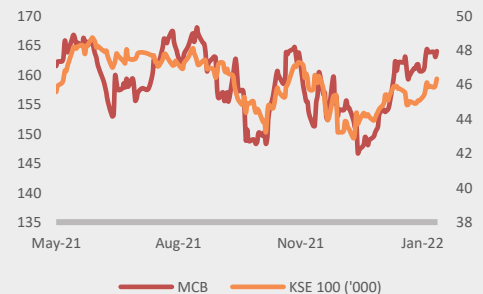
Operating Cost to Income	-41.9%	-40.0%	1.9% ▲	-42.1%	-36.5%	5.6% ▲
Effective Taxation	-39.8%	-38.3%	1.5% ▲	-40.7%	-39.8%	0.9% ▲

Source: ACPL Research, Company Financials

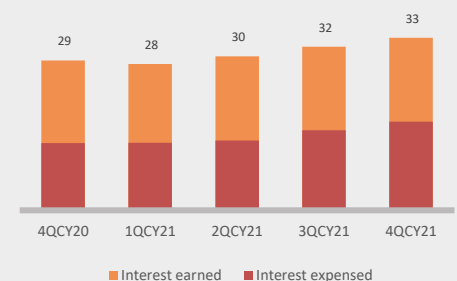
Key Statistics

Symbol	MCB
TP - Dec 22	180.00
LDPCP	160.00
Upside (%)	13
Free Float ('mn)	414
Market Cap. (Rs. 'mn)	190,711

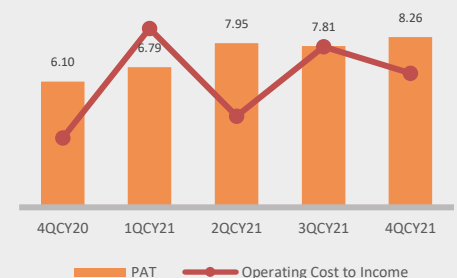
MCB vs KSE 100



Interest Earned vs Expensed (Rs'bn)



PAT (Rs'bn) vs Operating Cost To Income



Sources: ACPL Research, Company Financials

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Financial Projections

Rupees' millions	CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	138,292	136,076	123,334	164,520	181,567	193,982	212,101
Mark-up / Return / Interest expensed	-78,676	-64,741	-59,347	-90,984	-100,083	-110,091	-121,100
Net Mark-up / Interest Income	59,616	71,334	63,987	73,535	81,484	83,891	91,000
Fee and commission income	11,288	10,936	12,440	13,062	13,715	14,400	15,121
Dividend income	1,377	1,210	2,251	3,140	3,379	3,643	3,933
Foreign exchange income	2,895	2,525	3,734	3,734	3,734	3,734	3,734
(Loss) / gain from derivatives	15	4	14	0	0	0	0
(Loss) / gain on securities	833	3,332	811	887	970	1,062	1,163
Other income	272	128	823	702	702	702	702
Total non-markup / interest income	16,679	18,136	20,074	21,524	22,500	23,541	24,652
Non mark-up / interest expenses							
Operating expenses	-32,671	-32,646	-35,381	-37,073	-40,554	-41,899	-45,105
Workers' Welfare Fund	-802	-965	-1,040	-1,239	-1,355	-1,400	-1,507
Other charges	-236	-297	-474	-755	-1,202	-1,915	-3,050
Profit Before Provisions	42,586	55,562	47,167	55,993	60,874	62,220	65,992
Provisions / (reversal of provisions)	-2,484	-7,313	4,823	-1,015	-2,051	-1,913	-1,728
Extraordinary / unusual items	0	0	0	0	0	0	0
Profit before income tax	40,102	48,249	51,989	54,978	58,823	60,306	64,264
Income tax expense	-16,125	-19,212	-21,178	-21,896	-23,428	-24,018	-25,594
Profit for the year	23,977	29,037	30,811	33,082	35,396	36,288	38,669
EPS	20.23	24.50	26.00	27.92	29.87	30.62	32.63

Source: ACPL Research, Company Financials

Horizontal Analysis

	CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Mark-up / Return / Interest earned	66.0%	-1.6%	-9.4%	33.4%	10.4%	6.8%	9.3%
Mark-up / Return / Interest expensed	110.9%	-17.7%	-8.3%	53.3%	10.0%	10.0%	10.0%
Net Mark-up / Interest Income	29.6%	19.7%	-10.3%	14.9%	10.8%	3.0%	8.5%
Total non-markup / interest income	-3.0%	8.7%	10.7%	7.2%	4.5%	4.6%	4.7%
Non mark-up / interest expenses							
Operating expenses	1.8%	-0.1%	8.4%	4.8%	9.4%	3.3%	7.7%
Workers' Welfare Fund	25.1%	20.3%	7.8%	19.1%	9.4%	3.3%	7.7%
Other charges	39.2%	25.8%	59.3%	59.3%	59.3%	59.3%	59.3%
Profit Before Provisions	40.5%	30.5%	-15.1%	18.7%	8.7%	2.2%	6.1%
Provisions / (reversal of provisions)	-241.7%	194.5%	-165.9%	-121.1%	102.0%	-6.7%	-9.7%
Profit before income tax	25.1%	20.3%	7.8%	5.7%	7.0%	2.5%	6.6%
Income tax expense	50.6%	19.1%	10.2%	3.4%	7.0%	2.5%	6.6%
Profit for the year	12.3%	21.1%	6.1%	7.4%	7.0%	2.5%	6.6%
EPS	12.3%	21.1%	6.1%	7.4%	7.0%	2.5%	6.6%

Source: ACPL Research, Company Financials

Key Ratios

Profitability Ratios		CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Yield on Earning Assets	%	10.18	8.50	6.37	7.96	8.08	7.94	7.97
Interest Cost	%	6.31	4.38	3.31	4.87	4.87	4.87	4.87
Net Interest Margin	%	3.87	4.12	3.06	3.09	3.21	3.07	3.10
Operating Cost to Income	%	44.18	37.90	43.89	41.10	41.46	42.09	42.94
Return on Equity	%	14.19	15.27	15.35	15.54	15.71	15.19	15.29
Return on Assets	%	1.58	1.65	1.49	1.47	1.45	1.36	1.33
Balance Sheet Analysis		CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Deposits Growth	%	9.13	12.64	15.00	10.00	10.00	10.00	10.00
CASA to Deposits	%	86.13	88.89	88.89	88.89	88.89	88.89	88.89
Advances to Deposits	%	43.39	35.90	56.50	56.20	55.98	55.76	55.54
Investments to Deposits	%	65.41	78.78	62.91	61.45	60.13	58.93	57.83
PIBs to Investments	%	40.94	35.90	35.90	35.90	35.90	35.90	35.90
T Bills to Investments	%	55.65	61.43	61.43	61.43	61.43	61.43	61.43
Gross Infection Ratio	%	9.15	9.97	8.20	7.50	7.00	6.50	6.00
Provisioning Coverage	%	84.85	88.19	72.00	72.00	72.00	72.00	72.00
Net Infection Ratio	%	1.51	1.31	2.15	1.98	1.86	1.73	1.60
Capital Adequacy Ratio	%	17.84	19.69	17.98	17.58	17.12	16.70	16.26
Leverage Ratio	%	6.50	6.43	5.75	5.56	5.35	5.16	4.97
Operational Analysis		CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Market Share - Deposits	%	7.82	7.21	7.34	7.14	6.95	6.77	6.59
Market Share - Advances	%	6.62	6.04	8.18	7.97	7.75	7.55	7.34
Market Share - Investments	%	8.56	8.78	7.16	6.81	6.48	6.18	5.91
No. of Branches		1410	1410	1419	1428	1437	1446	1456
Investment Ratios		CY19	CY20	CY21	CY22E	CY23E	CY24E	CY25E
Dividend Per Share		17.00	20.00	19.00	20.00	22.00	22.00	24.00
Dividend Yield	%	10.63	12.50	11.88	12.50	13.75	13.75	15.00
Dividend Cover	x	1.19	1.23	1.37	1.40	1.36	1.39	1.36
Retention Ratio	%	15.98	18.38	26.92	26.92	26.92	26.92	26.92
Payout Ratio	%	84.02	81.62	73.08	73.08	73.08	73.08	73.08
No. of Shares	('m)	1185	1185	1185	1185	1185	1185	1185
Earnings Per Share		20.23	24.50	26.00	27.92	29.87	30.62	32.63
Book Value Per Share		142.54	160.42	169.34	179.62	190.10	201.58	213.37
Price to Earnings	x	7.91	6.53	6.15	5.73	5.36	5.23	4.90
Price to Book Value	x	1.12	1.00	0.94	0.89	0.84	0.79	0.75

Source: ACPL Research, Company Financials

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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- III. Relative Valuation Model
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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

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Market Weight	Neutral
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